



**Call your Local Rural Development Office for more information and answers to your questions!**

**USDA Rural Development State Office**

4949 Kirschling Court

Stevens Point, WI

**1-866- GRH-3600**

TTY: 715-345-7614

Fax: 715-345-7699

Or visit

[www.rurdev.usda.gov/wi](http://www.rurdev.usda.gov/wi)



Committed to the future of rural communities.

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Committed to the future of rural communities.

## **Get to Know Rural Development: Financing Futures!**



**The Real Estate Professionals Guide  
to Knowledge**

AT USDA Rural Development we DON'T work  
for the government.....we work for the people!



**We Dream Big And Work Hard!**  
Rural Development is committed to the future  
of rural communities!

#### Quick Facts

- #1: In Wisconsin, USDA Rural Development's Single Family Housing Programs are nationally recognized for their loan volume, high loan quality, and steady program growth.
- #2: In Fiscal Year 2004 Wisconsin assisted OVER 1,600 individuals and families "Achieve the Dream" of homeownership with 100% financing!
- #3: In 2004 Wisconsin surpassed 600 MILLION dollars in Guaranteed Rural Housing (GRH) financing for the state.
- #4: Over 160 lenders in Wisconsin are approved by USDA Rural Development to offer affordable homeownership using the GRH loan program.
- #5: Out of the 73 counties in Wisconsin, 72 are eligible for Rural Development financing, and 51 counties have no ineligible areas.
- #6: USDA Rural Development in Wisconsin strives to provide affordable homeownership to eligible individuals through minority lending goals, faith-based initiatives, and partnerships with non-profit organizations.

## Q: Why are the Guaranteed and Direct Loans So Different?



**A: Because we are dealing  
with 2 totally different  
borrowers!**

### Direct versus GRH Borrowers

**Direct borrowers have lower incomes and set asset limitations - therefore Rural Development wants the home to be free of any "surprises" that can drain a bank account quickly.**

**If you came home tonight and your furnace did not work - would you consider a new furnace a "Major Repair"? Of course you would! Rural Development is very picky on Direct Borrower homes because a major repair could prove to be financially paralyzing for our direct borrowers.**

**GRH borrowers typically have more moderate incomes and are allowed generous asset limitations. If a major repair occurs they will likely be in a better financial/credit position to take care of the repair on their own. Inspections for the GRH loan program are not as strict as the Direct loan program.**

**Direct homeowners may qualify to have their payments subsidized, which means their payments will be lower because a portion of their interest is being deferred. Therefore, when they sell their home, there is a recapture of the deferred interest which must be repaid based on a shared equity formula. The deferment of interest allows a Direct borrower the ability to purchase a home affordably - Now!**

**GRH borrowers get their loans from approved mortgage lenders at conventional rates of interest. No Recapture Could Ever Be Due - since the borrower makes the full PITI payment to this lender.**

**Do you have borrowers who can not qualify for  
financing with a lender? Maybe they could qualify for a  
Direct Loan!**

# Understanding the Direct Loan Transaction



Timeframe: 6-8 Weeks

1. **Borrower meets with Rural Development Local Office to apply for financing.**
2. **Rural Development orders Credit Report, Verification of Employment, and Verification of Rent.**
3. **Rural Development interviews the borrower & determines how much the borrower can qualify to buy.**
4. **Borrower enters into sales contract on a home (PLEASE ALLOW AMPLE TIME TO CLOSE— CONTRACT 45-60 DAYS MINIMUM).**
5. **Rural Development will perform a “walk-thru” of the home.**
6. **Borrower will choose a Wisconsin licensed home inspector to do their inspection. Rural Development needs information from the Inspector to ensure the property meets thermal standards and that the electrical, structural, and mechanical systems are safe and sound.**
7. **Rural Development reviews home inspection and decides what repairs need to be made to ensure the integrity of our borrower’s home with a list of repair specifications**
8. **Property with lead based paint hazards must be properly abated, which can be costly. “Get the Lead Out” *before* you list the property!**
9. **Borrower will get estimates from contractors of their choice to make the necessary repairs.**
10. **Rural Development orders the appraisal and submits the repair specifications to the appraiser to obtain a “subject to repairs” value.**
11. **Closing is held at Title Company of buyer’s/seller’s choice.**
12. **Repairs, if financed, are made *after* closing to bring the home to “like new” condition.**



## Rural Development + You = A Rewarding Partnership

At Rural Development we invest in people, families, businesses, and communities. We are committed to supporting rural communities, and building them stronger.

Rural Development can not do this alone. We need dedicated lenders, real estate professionals, builders, contractors, appraisers, and other professionals to help us achieve our mission.

Helping more people “Achieve the Dream” of homeownership—the ultimate American dream is a worthwhile and rewarding experience. We want you to join us to offer the best financing programs to the rural citizens of Wisconsin.

**Together we can make a difference.....  
Together we can serve more !**

## Ideas to Boost Your Business!

Who are you partnering with to make your business stronger?

**Insurance agents:** Renters buy insurance—partner up to get a list of prospects! Who does the agent have that is only buying auto? Most people will buy all insurance from one agent to cash in on discounts for multiple policies. This auto only buyer may also be a renter.

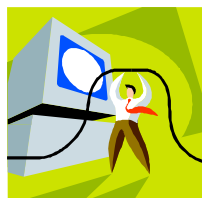
**Certified Financial Planners** work with all types of borrowers—when it is time to move from apartment to home, to a second home, to investment properties—who will they refer that client to? You could also send clients their way from your past database.

**Accountants** are busy processing files for all types of renters and buyers. This is also a fantastic way to prospect. The accountant may in turn offer all of your past clients a discount on filing a return with them to increase their business.

**Attorneys** represent buyers and sellers, as well as work with divorces and estates. These are all people in need of Real Estate and Lending Assistance.

These are only a few business professionals it would be a good idea to form alliances with. **Be prepared to GIVE prospects before you RECEIVE!**

**New Property Eligibility and Income Limit Website:**  
[www.rurdev.usda.gov/wi/programs/rhs/grh/](http://www.rurdev.usda.gov/wi/programs/rhs/grh/)



Log onto the above website and save as a favorite for future reference!

**Property Eligibility:**

1. On the right under "RHS Quick Links" Click on "Income and Property Eligibility"
2. At the Left on the menu, under "Property Eligibility" click on "Single Family"
3. Click "Accept" to move forward to the property site
4. Have your complete address including zip code: Type into proper fields, click "Retrieve Map" and your address will be mapped to its exact location AND determine if it is eligible or ineligible.
5. IF YOU HAVE NO ADDRESS: Click on the State of Wisconsin on the U.S. Map, to the Right there will be a list of counties that contain INELIGIBLE areas. If you do not see your county listed, GOOD NEWS—that entire county is eligible.
6. If the county in question IS on the list to the right, click on the county name and a map of the INELIGIBLE areas should appear.

**WISCONSIN HAS 73 COUNTIES: 72 Counties are eligible**  
**51 Counties have no ineligible areas**  
**\* Only Milwaukee County is entirely ineligible**

**Income Limits:** Log onto the website above

1. On the right under "RHS Quick Links" Click on "Income and Property Eligibility"
2. At the Left under "Income Limits" you can choose either Direct or Guaranteed
3. Choose Wisconsin
4. Print off the income limits for future reference

This list will show you the ADJUSTED Annual Income Limits  
For the **Direct** Program use "**Low Income**" line  
For the **Guaranteed** Program use "**Mod. Inc-Guar. Loan**" line

**INCOME TUTORIAL:**

Remember that these limits are for Adjusted Income, so if a family of 4 in Portage County has an annual gross income of \$75,000, but with deductions for 2 children, daycare, and other possible monthly expenses they may fall under the ADJUSTED income limit of \$71,100 - your lending partner can help determine this.

**GOT QUESTIONS??**

**CALL YOUR LOCAL RURAL DEVELOPMENT OFFICE FOR ASSISTANCE!**

**WE'RE HERE TO HELP!**

## **GRH Financing: The Best 100% Loan Option on the Market!**



**No Matter How You Do It:  
SOLD is a Fantastic Feeling!**

Now that you know how fast and easy the GRH Loan Program is, here are a few more highlights that truly make it the BEST for you and your homebuyers!

**#1: Truly 100% Plus Financing:**

Closing Costs, any major repairs, etc. may be rolled in up to 100% of the appraised value. The Rural Development guarantee fee can be financed in excess of the appraised value.

**#2: NO MONTHLY MORTGAGE INSURANCE**

**DO NOT BE FOOLED:** The Rural Development 100% Loan outperforms ANY Fannie My Community, FHA, VA, Freddie 100, Freddie National Dream, Flex 97, Flex 100, and 80/20 Split Mortgage out there. GRH Financing offers competitive interest rates, no PMI, and less money out of pocket! **DARE TO COMPARE!!**

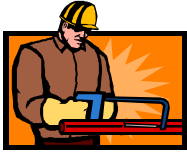
**#3: Flexible Credit/Qualifying Ratios**

No Minimum Credit Score, Non-Traditional Histories Accepted, Expanded Qualifying Ratios of 29/41 with Ratio Waivers  
Available: **RURAL DEVELOPMENT GETS DEALS DONE!**

**#4: Flexible Inspections**

Rural Development's "Inspection Report for Purchase of Existing Homes" is used to determine property acceptability. Find out once and for all exactly what is important to Rural Development - hint: FHA and VA are much more restrictive. For more information visit, [www.rurdev.usda.gov/wi/programs/rhs/library/Inspection-Report-for-Purchase-of-Existing-Homes.pdf](http://www.rurdev.usda.gov/wi/programs/rhs/library/Inspection-Report-for-Purchase-of-Existing-Homes.pdf).





## What about New Construction?

**GRH LOAN PROGRAM:** Treat your GRH Loan as an “end loan”. This means that a GRH loan does not offer payouts and draws, it is for the finished product when closed and completed. The lender may submit a loan file to receive a “Conditional Commitment” which is normal and customary with any GRH loan review. The builder will either carry their own construction loan, or the lender will oversee the construction period. Once construction is complete and the loan is closed, it may then be submitted to Rural Development to receive the loan note guarantee.

**What if Rural Development withdraws their Conditional Commitment and the lender is left high and dry?**

This is not going to happen. If Rural Development gives the lender a “Conditional Commitment” then this means once all of the conditions have been met a final loan note guarantee will be issued.

### How to Lose Your Guarantee

1. Builder/Lender/Borrower Backs Out of Deal
2. Borrower has lied on application, loses job, etc.

**DIRECT LOAN PROGRAM:** The Direct Loan Program is very different. Since the borrower is working directly with a local Rural Development Office, Rural Development will oversee the construction draws. Typically a 60% payout is made on work in place, and a 40% payout is made when construction is completed and an acceptable final inspection has been completed.

### What documents are required for a new construction loan?

#### **GRH Loan Program:**

GRH loans require documentation similar to that required by the Wisconsin Department of Commerce. Lenders typically need copies of the building permit, plan certification, construction inspections, occupancy permit, and the builder's warranty. Documentation requirements may vary on the type of house and the availability of occupancy permits from the jurisdiction.

#### **Direct Loan Program:**

Direct loans require the use of specific Rural Development forms for the plan certification, construction contract, and builder's warranty. Additional agency forms are used to inform the borrower and contractor of the Equal Opportunity provisions associated with construction financing. Contact your nearest Rural Development Local Office for their new construction check list and for more information.

## What Types of Financing Does Rural Development Offer?

Rural Development offers two separate homeownership programs. It is important to have a working knowledge of each loan type so that you will be able to assist your buyer, and manage your expectations of the loan process.

### #1: GRH LOAN PROGRAM

- 100% Financing
- Borrower works with traditional mortgage lender of their choice
- Normal Purchase Contract Closing Timeframe
- No Monthly Mortgage Insurance
- Competitive Fixed 30 Yr Interest Rates
- Generous Income Limits
- No Maximum Purchase Price Limit
- NO RECAPTURE EVER—This is not even a factor with GRH financing
- Home will be inspected: Rural Development's requirements are more flexible than FHA and VA. Practically conventional!

### #2: DIRECT LOAN PROGRAM

- 100% Financing
- Borrower works with Rural Development Office for loan
- Closing Timeframe MAY be longer 45-60 Days
- Maximum Purchase Price Limits vary by county
- Very Low to Low Income Limits
- Competitive Fixed Rates—33-38 Yr. Loan Terms
- SOME BUYERS MAY QUALIFY FOR SUBSIDIZED PAYMENTS: Therefore if the government is helping them make their monthly payments - they will be subject to recapture upon selling the home.
- Home will be inspected and repairs will be necessary (which can be rolled into the loan) to place the home in “like new” condition

**WOW - What a difference between the two programs!**

**Keep reading to find out WHY the programs are structured this way, so that YOU can help more buyers become HOMEOWNERS!!**



## Juggling the GRH Loan Transaction

**Timeframe: 3 to 6 Weeks  
Normal Purchase Contract Time**

1. **Borrower meets with Approved GRH Lender of their choice to become qualified**
2. **You and Borrower go house shopping and make offer**
3. **Borrower signs loan documents with their lender**
4. **Lender orders the appraisal and appropriate home inspections to determine compliance with the Department of Housing and Urban Development handbook and Rural Development thermal standards. Well and septic inspection are also obtained to verify code compliance and adequacy.**
5. **Lender contacts you with any repairs necessary to meet GRH loan requirements**
6. **Lender sends their underwritten loan package to their local Rural Development office for review: Rural Development turns file around in 24-48 hours.**
7. **Lender closes the loan, and submits Guarantee Fee to Rural Development**
8. **Rural Development issues Guarantee to lender**
9. **Lender services loan**

**That's all!**

**GRH Financing does not deviate from any other conventional or government loan product with which you are familiar.**

**AND**

**GRH Financing is NOT just for first time buyers!**

## What types of homes can I build and finance with Rural Development?



### Site Built Homes

- Built from the ground up, built entirely at the home site
- Conforms to all state, local, or regional codes where the home is located
- Often called a "stick-built" home
- A well built, cared for site-built home generally increases in value over time (location plays a key role)

### Modular Homes

- Built in modules at a factory
- Built to conform to all state, local, or regional building codes at their destinations
- Modules are transported to the home site on truck beds, then joined together by local contractors
- Local building inspectors check to make sure the structure meets requirements and that finish work is done properly
- Modular homes are *sometimes* less expensive per square foot than site built homes
- A well-built modular home should have the same longevity as its site-built counterpart, increasing in value over time



### Manufactured Homes

- Formerly referred to as mobile homes or trailers
- Built in a factory
- Conform to a Federal Building Code, called the HUD code, rather than to building codes at their destinations
- Homes are built on non-removable steel chassis
- Sections are transported to the home site on their own wheels
- Multi-part units are joined at their destinations
- Segments are not always placed on a permanent foundation, but they must be on a permanent foundation to qualify for Rural Development financing.
- Building inspectors check the work done locally (electric hook-ups, etc.) but are not required to approve the structure
- Manufactured housing is generally less expensive than site built and modular homes
- Manufactured homes often decrease in value over time

**Only NEW Manufactured Homes built by an Approved Dealer-Contractor qualify for Rural Development Financing. For a list of those approved dealers: LOG ON: [www.rurdev.usda.gov/wi/programs/rhs/grh/handbook/originating/newconst](http://www.rurdev.usda.gov/wi/programs/rhs/grh/handbook/originating/newconst)**

### Mobile Homes

These are not attached to a permanent foundation, are NOT eligible for any financing program through Rural Development.

